

APPLICATION FOR APPROVAL TO ESTABLISH THE WEST EAGLE UNIT

As required by 11 AAC 83.321 five copies (one original and four copies) of the non-confidential portions of this Application for Approval to Establish the West Eagle Unit (hereinafter referred to as the ("Application")) and two copies of the confidential portions of the Application (hereinafter referred to as the "Geological, Geophysical and Engineering Report"), submitted under separate cover with this Application, are submitted as part of this Application. Under the provisions of AS 38.05.035(a)(9)(C), Buccaneer requests that the two copies of the Geological, Geophysical and Engineering Report of the Application remain confidential.

Application Contents

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Attachments required by 11 AAC 83.306:

1. The unit agreement ("West Eagle Unit Agreement", as modified by the State and Buccaneer), including Exhibits A, B and G required under 11 AAC 83.341, executed by Buccaneer Alaska, LLC ("Buccaneer") that owns the working interest allocable to the leases comprising a controlling interest the proposed West Eagle Unit ("West Eagle Unit").
2. The Plan of Exploration (Initial Unit Plan) required under 11 AAC 83.341 is included as Exhibit "G" to the West Eagle Unit Agreement.
3. The unit operating agreement ("West Eagle Unit Operating Agreement") executed by the Working Interest Owners, which includes Buccaneer that owns and controls one hundred percent (100%) of the working interest in the State of Alaska Oil & Gas leases in the proposed West Eagle Unit. The unit operating agreement is submitted for information purposes only and does not require the Commissioner's approval for adoption or amendment.
4. No further evidence is required of reasonable effort made to obtain joinder of any proper party to join the unit agreement since all proper parties have joined in signing the West Eagle Unit Agreement and the West Eagle Unit Operating Agreement.
5. Pertinent geological, geophysical, engineering, well data, and interpretations of those data, directly supporting the Application ("Geologic, Geophysical and Engineering Report").
6. Redline copy of State of Alaska's Unit Agreement April 2009 Form (State Form) indicating the proposed modifications of the State Form for the West Eagle Unit Agreement.
7. Buccaneer check #1291 in the amount of \$5,000 as the Application fee for a new unit.



Background and Description of the Area Proposed to be Unitized

Nine (9) State of Alaska oil and gas leases are proposed to be included in the West Eagle Unit. These nine (9) leases, ADL-391141, ADL-391142, ADL-391144, ADL-391145, ADL-391146, ADL-391147, ADL-391148, ADL-391149 and ADL-391625, comprise a total of 46,395.04 acres, all of which are located onshore beneath lands owned by the State of Alaska ("DNR"). These leases were issued in competitive oil and gas lease sales over a six (6) year period; ADL-391141, ADL-391142, ADL-391144, ADL-391145, ADL-391146, ADL-391147, ADL-391148 and ADL-391149 in the May 2006 Cook Inlet Areawide Lease Sale, and ADL-391625 in the May 2010 Cook Inlet Areawide Lease Sale. Each of the leases in the May 2006 Sale were issued with a 5 year primary term and the others were issued with a 7 year primary term. ADL-391141, ADL-391142, ADL-391144, ADL-391145, ADL-391146, ADL-391147, ADL-391148, ADL-391149, will expire on September 30, 2012 (88% of proposed West Eagle Unit); and ADL-391625 will expire on March 1, 2018 (12% of proposed West Eagle Unit).

The proposed West Eagle Unit is located onshore on the southeast part of the Kenai Peninsula. The Border Ranges Fault runs north to south through the center of the acreage block. This is important because east of the fault the Tyonek sedimentary section is underlain by metamorphics and west of the fault the sedimentary section is underlain by potential Jurassic source rocks and Cretaceous-Paleocene reservoir rocks.

The gas prospective Tyonek sedimentary section is thinning and climbing to the east. Structures along the eastern margin of the basin, including those within the West Eagle acreage, make up the "East Side Play". The West Eagle No. 1 Well will be the first well since the 1960's to test the East Side Play.

In 2011, Buccaneer licensed 233 miles of 2D seismic data and reprocessed and mapped it. A large north-south trending gas prospective amplitude anomaly was mapped on the northeast. Buccaneer plans to drill a well on this prospect in September of 2012. Potential gas reserves are calculated to exceed 100 BCFG. West of the gas prospect is a basal Tertiary oil lead. Oil potential is also postulated in sediments draping and flanking the western basement ridge.

Two 1960s vintage wells are located on the east central part of the acreage block. The Gulf - Caribou Hills well looks prospective for oil on the log at the Hemlock level and the Socal - Anchor River well looks prospective for gas at the Upper Tyonek level.

In addition, are shallower Tyonek gas leads – a fault -trap play and an updip pinch-out play respectively which will require the acquisition of additional seismic data to delineate.

The Buccaneer plan is to drill the eastern gas prospect first and progress the other potential leads with the acquisition and mapping of a 3D seismic survey afterwards.

Buccaneer purchased all its interest in the proposed West Eagle Unit leases since March 2010; Buccaneer thus acquired most of these leases shortly before many of these leases were set to expire. Since putting together its lease position, Buccaneer has performed significant work, including field work, to identify a number of geologic leads and a drillable prospect and to be in a position to diligently move forward and explore and develop the proposed Unit Area. In addition to acquiring and mapping magnetic, gravity and geochemistry data in the Unit Area, Buccaneer purchased, reprocessed, and analyzed 233 miles of 2D seismic data, purchased a drill rig for the purpose of drilling to the projected depths in the Unit Area, completed the archeological and cultural resource studies, submitted the Land Use Application to the Kenai Peninsula Borough and Buccaneer is poised to drill in the proposed Unit Area prior to September 30, 2012, *i.e.*, prior to any of the leases expiring. Once Buccaneer drills the first well, we are committing to shoot 3D seismic or drill a second well by September 30, 2014. By September 30, 2015, Buccaneer will submit a Plan of Development to move the field into production. If Buccaneer fails to meet our first drilling commitment, the proposed Unit will terminate and all expired leases will automatically return to the state. We are also agreeing that if we drill the first well but fail to meet our second drilling or 3D seismic commitment, acreage will contract from the Unit and we will automatically surrender leases that are beyond their primary term effective the day the leases contract from the Unit. Simply put, Buccaneer has not sat idle; we have moved fast to get into a position to develop the resources and we have committed to an aggressive schedule to get the field into production. Moreover, we are willing to agree to automatic consequences if we fail to meet our commitments.

The benefits of timely development for the State and Alaska will not be realized unless DNR agrees to form the West Eagle Unit. Without unitization, most of the leases will expire despite the fact that (i) Buccaneer is committed to drilling before most of the leases expire and (ii) Buccaneer has submitted data to DNR that identifies a potential hydrocarbon accumulation within the boundary of the proposed West Eagle Unit. Buccaneer does not plan to drill without securing the acreage proposed in the Unit application. We must retain the leases identified in the unit application, which overlie a potential hydrocarbon accumulation, to justify the cost and expense of drilling wells. It simply makes no commercial sense to drill the proposed well, prove up the resource, and then watch the surrounding acreage that overlies the prospect expire.

In short, granting this unit application is in the public interest because unitization of this potential hydrocarbon accumulation will result in the quickest way to develop these resources; generates more investment in Cook Inlet; increases employment for Alaskans; brings a potential new gas supply to a market, as recognized by the Alaska Legislature in the Cook Inlet Recovery Act, that is in dire need of more gas; and provides revenue for state and local governments.

In contrast, if this unit application is rejected, it will harm the public interest because a denial will result in the delay in the development of this promising field for years. Denying the application is also contrary to the public interest because it will result in the loss of jobs; dampen competition in Cook Inlet; delay critical delineation and development of highly prospective resources; and potentially deprive the state of a new critical gas resource to meet the growing demands for the Southcentral region.

Attached as part of this Application is Buccaneer's Geologic, Geophysical and Engineering Report, which Buccaneer requests be held "Confidential" pursuant to AS 38.05.035(a)(9)(C), setting forth the geological, geophysical, engineering and well information, including maps and seismic data and interpretations of these data, describing this potential accumulation. A map of the proposed Unit Area comprising the lands and leases to be included in the Unit Area is attached as Exhibit "A" to the West Eagle Unit Agreement. A more complete description of the leasehold interest proposed for inclusion in the proposed Unit Area is provided in Exhibit "B" to the West Eagle Unit Agreement.

**The Criteria Which the DNR Commissioner of Natural Resources Must Consider
Under 11 AAC 83.303 to Approve a Unit Agreement as they Relate to the West Eagle
Leases**

The state statutes and regulations provide that the Department of Natural Resources (DNR) Commissioner will approve a proposed unit agreement for state oil and gas leases if he makes a written finding that the agreement is necessary or advisable to protect the public interest considering the provisions of AS 38.05.180 (p) and that the proposed unit agreement will (1) promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area; (2) promote the prevention of economic and physical waste; and (3) provide for the protection of all parties of interest, including the state. Buccaneer realizes that it has the burden of demonstrating to DNR why the Commissioner's approval of the West Eagle Unit Agreement is necessary or advisable to protect the public interest. In doing so, Buccaneer will address in this Application each of the criteria set forth in 11 AAC 83.303, as those criteria relate to the facts surrounding this Application. It will also address the question of why the DNR should agree to extend the primary terms of the leases through unitization, rather than simply waiting for the leases to expire and re-offering them for lease at some later date.

Buccaneer submits that approval of the proposed West Eagle Unit Agreement and formation of the West Eagle Unit meets the criteria of 11 AAC 83.303(a) because the proposed unit area encompass all or part of one or more potential hydrocarbon accumulations and because unitization will:

- Promote the conservation of oil and gas by providing an efficient, timely, integrated approach to exploring and developing the West Eagle structure; the quickest way to get these resources developed is by allowing Buccaneer to drill now. Unit formation will reduce the environmental impact through unitized development of the hydrocarbon accumulations;
- Promote the prevention of economic and physical waste by setting forth an aggressive development plan that allows maximization of physical and economic recovery as well as efficient use of unitized facilities in the near future; and
- Provide for the protection of correlative rights of all parties including Cook Inlet Region, Inc. and the Federal Government that own tracts within the Unit Area and the State of Alaska because granting this unit application will result in the quickest way to develop these resources; generate more investment in Cook Inlet; increase employment for Alaskans; bring a potential new gas supply to a market, as recognized by the Alaska Legislature in the Cook Inlet Recovery Act, that is in direct need of more gas; and provide revenue for state and local governments. Denying this application will affirmatively harm Buccaneer's interests because we have (i) invested considerable sums to acquire the leases over this potential hydrocarbon accumulation, (ii) acquired data demonstrating that the leases overlie a potential hydrocarbon accumulation, and (iii) purchased rig and permitted a well to develop these resources. Denying this unit application will also have a chilling effect on the industry because energy companies are not going to spend the time acquiring a lease position only to see most of the leases the overlay a structure expire before they can drill on them.

In sum, based upon the record established herein, Buccaneer believes that approval of the West Eagle Unit Agreement complies with the statutory and regulatory provisions governing unitization and will be in the public interest because unitization of the leases will increase investment in the state; generate jobs for Alaskans; delineate and develop this promising resource *in the near term* with a firm plan that has timelines to move the field into development in the quickest and most expeditious manner;

potentially adds gas supply; generates revenue for state and local governments; and increases competition in a basin where market competition is becoming concentrated.

Buccaneer therefore requests that the Commissioner consider the following factors in evaluating its Application for Approval of the Proposed West Eagle Unit Agreement in light of the criteria which he must consider under 11 AAC 83.303:

1. Environmental Costs and Benefits of Unitized Exploration or Development from the West Eagle Unit.

There are no identifiable environmental costs of unitized development that exceed the costs entailed in lease-by-lease exploration and development. On the other hand, as described below, unitized operations will both reduce the potential environmental impacts and minimize the surface disturbance associated with the development of the resources underlying the proposed West Eagle Unit Area. We currently anticipate the construction of up to 4-5 gravel pads that would allow for the drilling and production of multiple wells on each pad. Without unitization we would likely need up to 9-10 pads to develop each lease individually. The State of Alaska and Buccaneer stand to gain from these beneficial effects of unitization.

DNR has presumably weighed the relatively greater environmental costs of lease-by-lease development carefully in its initial decisions to offer the West Eagle leases for sale. DNR's selection and incorporation of the specific mitigation measures and plan of operations permit terms applicable to the West Eagle leases reflect a careful consideration of the potential impacts of exploration and development and the steps necessary to minimize or eliminate potential negative impacts. Under the terms of the Cook Inlet Areawide Competitive Lease Sales, the state made the determination that to mitigate the potential adverse social and environmental effects of specific related activities, lease stipulations will be enforced throughout the term of the lease, and the measures listed under Plan of Operations Permit Terms will be imposed through plans of operation and other permits. Any potential development of West Eagle Unit Leases will be done in accordance with the safeguards previously established by the department and required as a condition of sale. Buccaneer will be responsible for implementing each of the lease-specific mitigation measures, and will comply with the specified permit terms in its exploration and development of the West Eagle Unit Leases under the terms of the proposed Unit Agreement.

Under the terms of the proposed West Eagle Unit Agreement, unit plans of exploration and development must be approved by the Commissioner, and no exploration, development or production may be commenced in the Unit Area except in accordance with an approved plan. In addition to the mitigation measures and Plan of Operation permit terms incorporated in the Leases, the state also has reserved to itself the authority to impose additional mitigation measures should it determine them to be necessary during its review of permit applications for future operations on the leases.

As DNR has concluded repeatedly in prior decisions approving requests for approval of unit agreements, unitized exploration and development of the leases will reduce environmental costs and provide benefits for the state, Buccaneer and for any partners that may join the unit in the future. Unitized exploration and development has long been recognized as beneficial for the environment. By combining lease interests so that the West Eagle Unit Leases may be operated as one lease, both the number of facilities and the size of the facilities required to develop the prospect will be reduced. Rational surface-use decisions can be made without consideration of individual lease ownership or expense. As a result, facilities can be located to maximize recovery and to minimize environmental impacts. During the exploration and development operations of

the West Eagle Unit operation activities will utilize the minimum amount of surface impact consistent with prudent and efficient oil and gas industry practices. Multiple wells drilled from a gravel pad will provide for the most efficient utilization of land. The probability that the entire structure will be explored and exploited can only be optimized through unitized development. The environmental impacts would be significantly greater if the West Eagle structure was developed on a lease-by-lease basis, rather than on an integrated unitized basis with a single operator.

2. Geological, Geophysical and Engineering Characteristics of the West Eagle Structure.

The geological and engineering characteristics of the primary reservoir objective in the proposed West Eagle Unit are described in detail in Buccaneer's confidential Geologic, Geophysical and Engineering Report submitted with this Application. Based upon a review of the technical data available at the time of this Application, the proposed Unit Area includes acreage which is believed to be productive. In addition, the proposed Unit Area contains acreage overlying one or more additional potential hydrocarbon accumulations, which will be evaluated under Buccaneer's proposal. The Initial Plan of Exploration to which Buccaneer has committed is designed to explore for oil and gas in the Tyonek and Hemlock formations.

It should be noted that Buccaneer does not need to demonstrate, as some have suggested, the presence of "moveable hydrocarbons" to form a unit. That phrase does not exist in DNR's regulations and should not be a criterion that the agency considers in evaluating this application. Instead, DNR's regulations and unitization decisions provide that DNR can form a unit over an area where the applicant demonstrates the presence a reservoir or a potential hydrocarbon accumulation. 11 AAC 83.356. Buccaneer has met this threshold requirement because it has provided data that demonstrate the existence of a potential hydrocarbon accumulation.

3. Prior Exploration Activities in the Proposed West Eagle Unit Area.

The attached confidential Geologic, Geophysical and Engineering Report describes the prior exploration activities in the proposed West Eagle Unit Area.

Two 1960s vintage wells are located on the east central part of the acreage block. The Gulf - Caribou Hills well looks prospective for oil on the log at the Hemlock level and the Socal, Anchor River well looks prospective for gas at the Upper Tyonek level.

In addition, Buccaneer has diligently moved forward to explore the proposed Unit Area. Specifically, Buccaneer purchased, reprocessed and analyzed 233 miles of 2D seismic data, purchased a drill rig for the purpose of drilling to the projected depths in the proposed Unit Area, completed the archeological and cultural resource studies and submitted the Land Use Application to the Kenai Peninsula Borough. Buccaneer is poised to drill in the proposed Unit Area prior to September 30, 2012, *i.e.*, prior to any of the leases expiring.

4. Plans for Exploration and Development of the Proposed West Eagle Unit Area.

Prior to September 30, 2012, Buccaneer will drill the West Eagle No. 1 well on Tract 1 (ADL 391145). Once Buccaneer drills the first well, we are committing to shoot 3D seismic or drill a second well by September 30, 2014.

By September 30, 2015, Buccaneer will submit a Plan of Development to move the field into production.

If Buccaneer fails to meet our first drilling commitment, the proposed Unit will terminate and all expired leases will automatically return to the state. We are also agreeing that if we drill the first well but fail to meet our second drilling or 3D seismic commitment, certain acreage will contract from the Unit and we will automatically surrender leases that are beyond their primary term effective the day the leases contract from the Unit.

Exhibit "G" to the proposed Unit Agreement sets forth Buccaneer's proposed Initial Plan of Exploration in more detail.

5. Economic Costs and Benefits to the State.

The overall costs of exploring and developing the West Eagle leases, both from the state's, and Buccaneer's perspectives, would be higher on a lease-by-lease basis than it will be under the terms of the West Eagle Unit Agreement and the West Eagle Unit Operating Agreement. Investments in drilling and facilities costs will be minimized as a consequence of eliminating the potential for competitive development within the Unit Area. The locations of individual wells and surface facilities will be determined by rational engineering and reservoir management considerations and not by competitive pressures. Reducing costs through unitized operations will expedite development and promote greater ultimate recovery of the oil and gas in the Unit Area in the near term, thus accelerating and extending the lessor's income stream from severance taxes and royalties. In addition, if the project is a success and profitable, Buccaneer and potentially other working interest owners, will derive revenues from the development that may be reinvested in new exploration and development.

Accelerating the development of the West Eagle Leases benefits both the State of Alaska and Buccaneer. The importance of this fact cannot be overemphasized. Based upon the history of these Leases, and in consideration of the relative maturity of Cook Inlet oil and gas production, the Commissioner's approval of the proposed West Eagle Unit Agreement is vitally important. Both the frequency of new field discoveries and the production of oil and gas from the Cook Inlet basin has continued to decline dramatically. Only four new gas fields have been discovered since 1977, all of which were relatively small as compared to the earlier discoveries in the area. As both the success of Cook Inlet exploration and the volume of oil and gas production has declined, so has the number of companies committed to exploration and continued operation of Cook Inlet fields. Many major oil companies have abandoned Cook Inlet in the last thirty years, and those few that remain have recently rationalized their leasehold interests to focus on what they view to be their respective strengths, rather than continuing to pursue broad based exploration and development of Cook Inlet leases.

Counter to the obvious perceptions of some of these companies, Buccaneer believes that there are many opportunities remaining for new exploration, exploitation and, hopefully, the development of previously discovered but undeveloped reserves in Cook Inlet. The delineation and development of the West Eagle Leases presents just such an opportunity. However, that opportunity could be lost or deferred to the detriment of both the State of Alaska and Buccaneer, if the proposed West Eagle Unit Agreement is not approved.

As an indication of its commitment, Buccaneer has acquired and interpreted approximately 233 miles of the 2D seismic survey.

Buccaneer is, as discussed above, also committing to a responsible and expedited drilling

program to explore the proposed Unit, and hopefully, to establish new production. However, fulfillment of these commitments and delivery of the benefits which they have the potential to provide, are entirely dependent upon Buccaneer's ability to approve and develop the proposed Unit Area without the threat of losing one or more of the Leases crucial to the economic development of the prospect.

Through Unit formation and Buccaneer's aggressive Initial Plan of Exploration, the state will be provided the earliest identification and development of its natural resources underlying their lands in the Unit Area. A primary goal of unitization is the protection of the parties in interest in one or more hydrocarbon accumulations. The formation of the West Eagle Unit extends these benefits and protections to all leases reasonably proven to be capable of contributing to production from the West Eagle feature mapped by Buccaneer. A fair and equitable allocation of production will be provided for in the Unit Agreement. Without unitization, the varied ownership interests in the Unit Area make equitable economic development of the area difficult. All interests must be pooled and integrated to provide protection of each party's correlative rights.

The state's economic interest is advanced by maximizing the physical recovery of hydrocarbons from the West Eagle Structure. Maximizing hydrocarbon recovery in turn assures maximized production based revenue accruing to all parties. Consistent with AS 38.05.180(a), unitized development of the West Eagle Structure will increase the economic wellbeing of the State of Alaska and its residents, by creating jobs for the construction of facilities and continuous operations of the Unit thereby helping to ensure timely and crucial gas supplies to the south-central region of Alaska. Unitized operations within the proposed West Eagle Unit Area will also minimize impacts to the area's cultural, biological, and environmental resources.

6. Other Relevant Factors the Commissioner Determines Necessary or Advisable to Protect the Public Interest.

Buccaneer respectfully submits that all of the impacts associated with the Commissioner's approval of the West Eagle Unit Agreement will be positive. As discussed above, Buccaneer has proposed a plan that will provide for the expeditious delineation and development of the West Eagle leases. Indeed, unitizing these leases will result in the near term development of the West Eagle Unit reserves, which will provide additional jobs with increased payrolls and taxes, and will stimulate the state and local economies. In addition, development of the West Eagle reserves will provide royalty and severance taxes to the state to help offset the continuing decline of those revenues as North Slope and Cook Inlet production declines.

Unitization is also in the public interest because it will allow Buccaneer to continue to expand its operations, which will in turn increase the presence of another strong player in the Cook Inlet basin and add needed competition. Encouraging competition is a critical part of DNR's mandate under AS 38.05.180(a)(1)(B), which would be undermined by denying this unit application. Unitization will also help fulfill the legislature's strong desire, articulated in the Cook Inlet Recovery Act, to get more investment and development in Cook Inlet.

Moreover, this application is not an instance where Buccaneer acted dilatory, sat on lease for ten years, and decided to come forward with a unit application at the eleventh hour looking to extend leases. To the contrary, Buccaneer acquired these Leases less than 2 years ago. Since that time we have diligently moved to develop the leases and are set to drill in September.

Buccaneer can be expected to deliver on its commitments because of its strong track record in Alaska. Since March 2010 Buccaneer has spent in excess of \$50 million in the Cook Inlet on the following activities:

- Acquired oil and gas leases on approximately 82,500 acres in multiple prospects located onshore and offshore in the Cook Inlet.
- Permitted, constructed the access road and pad and drilled and tested the Kenai Loop No. 1 Well in the Kenai Loop Prospect located on the Kenai Peninsula. Opened office in Kenai, Alaska with full time employees and contractors.
- Acquired a \$68.5 million offshore Jack-up rig (Endeavour-Spirit of Independence). Currently being modified in Singapore shipyard. Scheduled to be in the Cook Inlet in August 2012 and remain in Alaska for a minimum of 5 years.
- Buccaneer announced the discovery and successful test of the Kenai Loop Prospect in the Upper Tyonek Formation.
- Buccaneer permitted and built a second gravel pad (Kenai Loop No. 2 Pad) on lands owned in the Kenai Loop Prospect.
- Buccaneer drilled the Kenai Loop No. 3 well from the Kenai Loop No. 1 well pad. Buccaneer has applied to the AOGCC to convert the No. 3 Well to a Class 2 Disposal well that could be used as a disposal well for the muds and cuttings from the West Eagle area.
- Based on the determination of commercial reserves in the Kenai Loop No. 1 Well, Buccaneer permitted and constructed a 7200' gathering line from the Kenai Loop No. 1 Pad to KNPL located at ENSTAR's City Gate Station and completed construction of production facilities. Production commenced from the Kenai Loop No. 1 Well on January 14, 2012. To our knowledge, this is the most expediated development of a new field discovery in the history of Alaska.
- Buccaneer permitted and acquired a total of 24.7 square miles of 3D seismic data in the Kenai Loop Area at a cost of \$10.5 million.
- Acquired the Glacier Rig from Marathon that will assure access to equipment for drilling the West Eagle No. 1 Well.
- Buccaneer has permitted and is drilling the Kenai Loop No. 4 Well from the Kenai Loop No. 1 Pad.

Under the terms of the proposed Unit Agreement, all operations on the leases will be subject to prior review and approval by the State of Alaska, and will continue to be subject to the stipulations in an approved Plan of Operations, the terms of the Leases, as well as any additional mitigation measures determined by the state to be necessary.

To further protect the public interest, Buccaneer has incorporated reasonable and equitable terms in the proposed West Eagle Unit Operating Agreement which will facilitate the joinder of any other lessees that may desire to join the unit in the future. In providing for the combining of other lease interests in joint operations under the terms of the Unit Agreement and the West Eagle Unit Operating Agreement, all potential working interest owners are assured an equitable allocation of costs and revenues commensurate with the value of their respective lease interests.

**Proposed Modifications to the State's Model Unit Agreement Form
and Rationale for the Modifications**

The proposed West Eagle Unit Agreement submitted with this Application for unit formation is modeled after the State of Alaska's Unit Agreement April 2009 Form. Pursuant to 11 AAC 83.306 and 11 AAC 83.326(b) Buccaneer requests that the Commissioner approve and adopt those modifications of the Model Form reflected in the attached West Eagle Unit Agreement

which is a redline copy of the revised Model Form attached to this Application which depicts the modifications recommended to be made to the Model Form. Cosmetic and conforming changes are not considered modifications to the standard State Only Unit Agreement form.

Several revisions/modifications are made at the request of Buccaneer. The more substantive amendments/modifications proposed are intended to protect the State's interest, as well as that of the Working Interest Owners in the proposed West Eagle Unit. These amendments are intended to provide more explicit guidance for the parties in implementing the Agreement. Buccaneer will provide a more detailed explanation of and reason for a specific proposed modification if the State so requires.

Summary and Request for Written Finding and Approval
of the West Eagle Unit Agreement and the 3-Year Initial Unit Plan for the West Eagle
Unit

Based upon the facts outlined in this Application and Buccaneer's commitment to expedited exploration and development of its Leases, Buccaneer believes that the Commissioner of Natural Resources' approval of the proposed West Eagle Unit will:

- promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area;
- promote the prevention of economic and physical waste; and
- provide for the protection of all parties of interest, including the state.

Accordingly, Buccaneer requests that the Commissioner, or his designee, make a written finding that the proposed West Eagle Unit Agreement is necessary or advisable to protect the public interest considering the provisions of AS 38.05.180(p) and the provisions of 11 AAC 83.303. Based upon that written finding, Buccaneer further requests that the Commissioner, or his designee, approve the West Eagle Unit Agreement and the 5-Year Initial Unit Plan incorporated therein (attached to the West Eagle Unit Agreement as Exhibit "G").

Given the meetings and technical presentation Buccaneer has had with the DNR staff to date, and the discussions regarding the content of the Application, Buccaneer respectfully requests a determination that this Application is deemed complete and that the DNR proceed with the public notice and West Eagle Unit approval as prescribed under 11 AAC 83.311 and 11 AAC 83.316. If there are any questions, or additional information is required, regarding this Application please contact Mark R. Landt, Vice President, Land and Business Development at (713) 468-1678.